

BOYDEN-HULL
COMMUNITY SCHOOL DISTRICT

Hull, Iowa

Independent Auditor's Reports
Basic Financial Statements and Supplemental Information
Schedule of Findings

June 30, 2012

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

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BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

OFFICIALS

JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September 2011 Election)

Mark Warntjes	President	2013
Aric Van Voorst	Board Member	2011
Jake Ten Haken	Board Member	2011
Joy Hurst	Board Member	2011
Mark Nilles	Board Member	2013

BOARD OF EDUCATION

(After September 2011 Election)

Mark Warntjes	President	2013
Aric Van Voorst	Board Member	2015
Jake Ten Haken	Board Member	2015
Jason Moser	Board Member	2015
Mark Nilles	Board Member	2013

SCHOOL OFFICIALS

Steve Grond	Superintendent	2012
Sue Huls	Secretary/Treasurer	2012
John De Koster	Attorney	Indefinite
Jeffrey Krausman	Attorney	Indefinite



INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Boyden-Hull Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boyden-Hull Community School District (the District), Hull, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



To the Board of Education of
Boyden-Hull Community School District

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 26, 2013
Sioux City, Iowa

King, Reinsch, Frosser & Co., L.L.P.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boyden-Hull Community School District (the District) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 Financial Highlights

- General Fund revenues increased from \$6,037,818 in fiscal 2011 to \$6,236,521 in fiscal 2012, and General Fund expenditures increased from \$5,738,262 in fiscal 2011 to \$5,793,237 in fiscal 2012. The District's General Fund balance increased from \$651,723 in fiscal 2011 to \$1,111,574 in fiscal 2012, a 70.6 percent increase.
- The increase in General Fund revenues was primarily attributable to increases associated with allowable growth of state sources and Ed Jobs Bill revenues deferred in fiscal 2011 recognized in 2012 offsetting the expected decline in federal sources. General Fund expenditures were kept relatively stable primarily due to controls on spending.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-Wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the District acts solely as an agent or custodian for the benefit of those outside the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and capital project accounts.

Reporting the District's Financial Activities

Government-Wide Financial Statements - The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business Type Activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements - The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds.

1. Governmental Funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

2. **Proprietary Funds** - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3. **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others. The District's agency funds include the employee flex cafeteria plan and the employee pop money. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets, if applicable.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

Figure A-1 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-1 (In Thousands)
Condensed Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total District</u>		<u>Total Percentage Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
Current and other assets	\$ 5,357	\$ 4,659	\$ 29	\$ 18	\$ 5,386	\$ 4,677	15.2%
Capital assets, net	5,472	5,244	26	31	5,498	5,275	4.2%
Total assets	<u>\$ 10,829</u>	<u>\$ 9,903</u>	<u>\$ 55</u>	<u>\$ 49</u>	<u>\$ 10,884</u>	<u>\$ 9,952</u>	<u>9.4%</u>
Long-term liabilities	\$ 2,323	\$ 2,272	\$ -	\$ -	\$ 2,323	\$ 2,272	2.2%
Other liabilities	2,722	2,973	38	6	2,760	2,979	(7.4%)
Total liabilities	<u>\$ 5,045</u>	<u>\$ 5,245</u>	<u>\$ 38</u>	<u>\$ 6</u>	<u>\$ 5,083</u>	<u>\$ 5,251</u>	<u>(3.2%)</u>
Net assets:							
Invested in capital assets, net of related debt	\$ 3,408	\$ 3,145	\$ 26	\$ 31	\$ 3,434	\$ 3,176	8.1%
Restricted	1,439	1,082	-	-	1,439	1,082	33.0%
Unrestricted	937	431	(9)	12	928	443	109.5%
Total net assets	<u>\$ 5,784</u>	<u>\$ 4,658</u>	<u>\$ 17</u>	<u>\$ 43</u>	<u>\$ 5,801</u>	<u>\$ 4,701</u>	<u>23.4%</u>

The District's combined net assets increased 23.4 percent or approximately \$1,100,000, from the prior year due primarily to the increase in the general fund balance. The largest portion of the District's net assets is invested in capital, less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$357,000, or 33.0 percent, over the prior year primarily due to a majority of the capital asset acquisitions being financed with a capital lease obligation and a large increase in categorical funding.

Unrestricted net assets can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements. The District's unrestricted net assets increased approximately \$485,000, or 109.5 percent, over the prior year primarily due to an increase in the general fund balance as previously discussed. The District established goals to increase cash reserves and improve its solvency ratio.

Figure A-2 shows the change in net assets for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-2 (In Thousands)
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Percentage Change
	2012	2011	2012	2011	2012	2011	2011-2012
Revenues:							
Program revenues:							
Charges for services	\$ 521	\$ 567	\$ 175	\$ 182	\$ 696	\$ 749	(7.1%)
Operating grants, contributions and restricted interest	1,062	1,033	155	149	1,217	1,182	3.0%
Capital grants, contributions and restricted interest	69	-	-	-	69	-	100%
General revenues:							
Property tax	2,406	2,264	-	-	2,406	2,264	6.3%
Income surtax	582	291	-	-	582	291	100%
Statewide sales, services and use tax	517	486	-	-	517	486	6.4%
Unrestricted state grants	2,583	2,336	-	-	2,583	2,336	10.6%
Unrestricted investment earnings	22	30	1	1	23	31	(25.8%)
Other	1	43	-	5	1	48	(97.9%)
Total revenues	<u>\$ 7,763</u>	<u>\$ 7,050</u>	<u>\$ 331</u>	<u>\$ 337</u>	<u>\$ 8,094</u>	<u>\$ 7,387</u>	<u>9.6%</u>
Program expenses:							
Instruction	\$ 4,581	\$ 4,250	\$ -	\$ -	\$ 4,581	\$ 4,250	7.8%
Support services	1,682	1,818	-	-	1,682	1,818	(7.5%)
Non-instructional programs	-	-	357	342	357	342	4.4%
Other expenses	374	389	-	-	374	389	(3.9%)
Total expenses	<u>\$ 6,637</u>	<u>\$ 6,457</u>	<u>\$ 357</u>	<u>\$ 342</u>	<u>\$ 6,994</u>	<u>\$ 6,799</u>	<u>2.9%</u>
Change in net assets	<u>\$ 1,126</u>	<u>\$ 593</u>	<u>\$ (26)</u>	<u>\$ (5)</u>	<u>\$ 1,100</u>	<u>\$ 588</u>	<u>87.1%</u>

Property tax and unrestricted state grants account for 61.6 percent of the total revenue (62.3 percent in 2011). The District's expenses primarily relate to instruction and support services, which account for 89.5 percent of the total expenses (89.2 percent in 2011).

During fiscal 2012, the District experienced a 9.6 percent increase in revenues and a 2.9 percent increase in expenses. Capital Grants and Contributions increased approximately \$69,000, or 100 percent over the prior year in large part due to contributions to help purchase capital assets. Property tax revenues increased approximately \$142,000, or 6.3 percent over the prior year due to the increase of the Debt Service Levy. Unrestricted state grants increased approximately \$247,000, or 10.6 percent over the prior year due to allowable growth from the state.

Governmental Activities - Revenues for governmental activities were \$7,763,261 and expenses were \$6,637,018. The District was able to keep expenses at a level less than revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011:

Figure A-3 (In Thousands)						
Total and Net Cost of Governmental Activities						
	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2012	2011	2011-2012	2012	2011	2011-2012
Instruction	\$ 4,581	\$ 4,250	7.8%	\$ 3,302	\$ 2,982	10.7%
Support services	1,682	1,818	(7.5%)	1,636	1,768	(7.5%)
Other expenses	374	389	(3.9%)	47	107	56.1%
Totals	\$ 6,637	\$ 6,457	2.8%	\$ 4,985	\$ 4,857	2.6%

- The cost financed by users of the District's programs was \$521,391 (\$566,637 in 2011).
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,061,873 (\$1,032,722 in 2011).
- The net cost of governmental activities was financed with \$3,505,042 in property and other taxes (\$3,041,032 in 2011) and \$2,583,420 in unrestricted state grants (\$2,335,611 in 2011).

Business Type Activities - Revenues for business type activities were \$330,840 (\$337,409 in 2011) and expenses were \$357,042 (\$342,142 in 2011). The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Governmental Fund Analysis

As previously noted, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,339,126, above last year's ending fund balances of \$1,682,532. The reasons for the increase include increased local tax revenues, increased state source revenues and little overall increase in expenditures. The District's proprietary funds reported end of year net assets of \$17,265, below last year's ending net assets of \$43,467.

Governmental Fund Highlights

The District's General Fund maintains a strong financial position with \$1,111,574 in its fund balance at June 30, 2012. The General Fund increased by \$459,851 during fiscal 2012 due primarily to the District's intent to increase its level of financial solvency.

The District's Capital Projects Fund balance increased \$180,574 at the end of fiscal year 2012. While expenditures increased, most were purchased with proceeds from the issuance of a capital lease.

Proprietary Fund Highlights

Revenues for business type activities were \$330,840 and expenses were \$357,042. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Budgetary Highlights

Over the course of the year, the District amended its budget one time to reflect the purchase of laptops for the 1:1 Initiative.

The district's total revenues were \$165,882 more than total budgeted, a variance of 2.2 percent, recognizing federal source monies deferred in fiscal year 2011 caused the amount recognized to be more than anticipated

The District's total expenditures were \$1,071,087 less than total budgeted, a variance of 12.4 percent. A portion of the variances resulted from excessive budget for the 1:1 Initiative to be implemented in fiscal year 2012.

Capital Assets and Debt Administration

Capital Assets - At June 30, 2012, the District had invested \$5,498,291, net of accumulated depreciation/amortization, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation/amortization expense for the year was \$375,044.

The original cost of the District's capital assets was \$9,443,644. Governmental funds account for \$9,350,864, with the remainder of \$92,780 accounted for in the Proprietary, School Nutrition Fund.

Figure A-4 (In Thousands)
Capital Assets, Net of Depreciation/Amortization

	Governmental Activities		Business Type Activities		Total District		Percent
	2012	2011	2012	2011	2012	2011	Change
Land	\$ 346	\$ 346	\$ -	\$ -	\$ 346	\$ 346	0.0%
Land improvements	109	113	-	-	109	113	(3.5%)
Buildings	1,347	1,378	-	-	1,347	1,378	(2.2%)
Building improvements	2,764	2,798	-	-	2,764	2,798	(1.2%)
Furniture and equipment	727	362	26	31	753	393	91.6%
Vehicles	172	234	-	-	172	234	(26.5%)
Intangibles	7	13	-	-	7	13	(46.2%)
Totals	\$ 5,472	\$ 5,244	\$ 26	\$ 31	\$ 5,498	\$ 5,275	4.2%

Long-Term Liabilities - At June 30, 2012, the District had \$2,332,902 in long-term debt outstanding. Additional information about the District's long-term liabilities is presented in Note 5 to the financial statements.

In August 2011, the District financed the purchase of laptops in the 1:1 Initiative by entering into a \$398,381 capital lease, \$298,711 outstanding at June 30, 2012.

The following table presents the District's long-term liabilities as of June 30, 2012 and 2011:

Figure A-5 (In Thousands)			
Outstanding Long-Term Liabilities			
	June 30,		Percent Change
	<u>2012</u>	<u>2011</u>	<u>2011-2012</u>
General obligation bonds	\$ 1,480	\$ 1,670	(11.4%)
Revenue bonds	286	429	(33.3%)
Capital lease obligation	299	-	100.0%
Net OPEB liability	<u>258</u>	<u>173</u>	<u>49.1%</u>
	<u>\$ 2,323</u>	<u>\$ 2,272</u>	<u>2.2%</u>

Economic Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- While not expected, a decline in student enrollment would have a negative effect on the budget. Also, budget adjustments by the State of Iowa could hinder or promote growth opportunities.
- The statewide one percent local option sales tax will continue to provide revenue for capital repairs and improvements, and at a higher level than in the past due to statewide economic conditions.
- The state of Iowa allowed zero percent in allowable growth for fiscal year 2013, which may limit the District's ability to meet the high standards the District has for its children.
- Due to the economic recession, state and countrywide, the overall mood of the District has been conservative. The District will continue to closely monitor its expenditures and forego certain expenditures not deemed immediately important, until a time when economic conditions have improved.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lori Hoven, Business Manager and District Secretary, Boyden-Hull Community School District, 801 1st Street, Hull, Iowa 51239.

BASIC FINANCIAL STATEMENTS

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total	Component Unit Foundation
ASSETS:				
Cash and cash equivalents	\$ 2,179,957	\$ 18,627	\$ 2,198,584	\$ 210,600
Receivables:				
Property tax:				
Delinquent	24,897	-	24,897	-
Succeeding year	2,525,384	-	2,525,384	-
Accounts	5,689	-	5,689	-
Deferred bond issue costs	18,243	-	18,243	-
Due from other governments	558,207	-	558,207	-
Prepaid expenses	44,744	744	45,488	-
Inventories	-	9,695	9,695	-
Capital assets, net of accumulated depreciation/amortization	<u>5,472,263</u>	<u>26,028</u>	<u>5,498,291</u>	<u>-</u>
Total assets	<u>\$ 10,829,384</u>	<u>\$ 55,094</u>	<u>\$ 10,884,478</u>	<u>\$ 210,600</u>
LIABILITIES:				
Accounts payable	\$ 59,301	\$ 30,689	\$ 89,990	\$ -
Accrued compensated absences	5,295	-	5,295	-
Accrued interest payable	7,272	-	7,272	-
Deferred revenue - succeeding year property tax	2,525,384	-	2,525,384	-
Due to other governments	123,039	-	123,039	-
Other deferred revenue	1,689	7,140	8,829	-
Long-term liabilities:				
Portion due within one year:				
General obligation bonds	195,000	-	195,000	-
Revenue bonds payable	142,857	-	142,857	-
Lease obligation payable	96,669	-	96,669	-
Portion due after one year:				
General obligation bonds	1,285,000	-	1,285,000	-
Revenue bonds payable	142,858	-	142,858	-
Lease obligation payable	202,042	-	202,042	-
Net OPEB liability	<u>258,476</u>	<u>-</u>	<u>258,476</u>	<u>-</u>
Total liabilities	<u>\$ 5,044,882</u>	<u>\$ 37,829</u>	<u>\$ 5,082,711</u>	<u>\$ -</u>
NET ASSETS:				
Invested in capital assets, net of related debt	\$ 3,407,837	\$ 26,028	\$ 3,433,865	\$ -
Restricted for:				
Categorical funding	219,363	-	219,363	-
Debt service	4,664	-	4,664	-
Capital projects	1,018,017	-	1,018,017	-
Other special revenue purposes	197,599	-	197,599	-
Unrestricted	<u>937,022</u>	<u>(8,763)</u>	<u>928,259</u>	<u>210,600</u>
Total net assets	<u>\$ 5,784,502</u>	<u>\$ 17,265</u>	<u>\$ 5,801,767</u>	<u>\$ 210,600</u>
Total liabilities and net assets	<u>\$ 10,829,384</u>	<u>\$ 55,094</u>	<u>\$ 10,884,478</u>	<u>\$ 210,600</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

		Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants, Contributions and Restricted Interest
	Expenses			
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Instruction:				
Regular instruction	\$ 3,098,558	\$ 349,128	\$ 709,687	\$ -
Special instruction	914,552	11,412	54,523	-
Other instruction	567,339	152,504	1,220	-
	<u>\$ 4,580,449</u>	<u>\$ 513,044</u>	<u>\$ 765,430</u>	<u>\$ -</u>
Support services:				
Student services	\$ 73,134	\$ -	\$ -	\$ -
Instructional staff services	62,742	-	-	-
Administration services	891,053	8,347	-	-
Operation and maintenance of plant services	358,086	-	-	-
Transportation services	297,155	-	37,593	-
	<u>\$ 1,682,170</u>	<u>\$ 8,347</u>	<u>\$ 37,593</u>	<u>\$ -</u>
Other expenditures:				
Facilities acquisition	\$ 27,598	\$ -	\$ -	\$ 68,929
Long-term debt interest	80,633	-	-	-
Loss on disposal of capital assets	7,318	-	-	-
AEA flow through	258,850	-	258,850	-
	<u>\$ 374,399</u>	<u>\$ -</u>	<u>\$ 258,850</u>	<u>\$ 68,929</u>
Total governmental activities	<u>\$ 6,637,018</u>	<u>\$ 521,391</u>	<u>\$ 1,061,873</u>	<u>\$ 68,929</u>
Business type activities:				
Non-instructional programs:				
Food service operations	\$ 357,042	\$ 175,454	\$ 155,299	\$ -
Total business type activities	<u>\$ 357,042</u>	<u>\$ 175,454</u>	<u>\$ 155,299</u>	<u>\$ -</u>
Total	<u>\$ 6,994,060</u>	<u>\$ 696,845</u>	<u>\$ 1,217,172</u>	<u>\$ 68,929</u>
Component unit:				
Foundation	<u>\$ 87,180</u>	<u>\$ -</u>	<u>\$ 66,635</u>	<u>\$ -</u>
GENERAL REVENUES:				
Property tax levied for:				
General purposes				
Management levy				
Physical plant and equipment levy				
Debt service				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net assets				
Net assets beginning of year				
Net assets end of year				

See notes to financial statements.

EXHIBIT B

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit Foundation</u>
\$ (2,039,743)	\$ -	\$ (2,039,743)	
(848,617)	-	(848,617)	
(413,615)	-	(413,615)	
<u>\$ (3,301,975)</u>	<u>\$ -</u>	<u>\$ (3,301,975)</u>	
 \$ (73,134)	 \$ -	 \$ (73,134)	
(62,742)	-	(62,742)	
(882,706)	-	(882,706)	
(358,086)	-	(358,086)	
(259,562)	-	(259,562)	
<u>\$ (1,636,230)</u>	<u>\$ -</u>	<u>\$ (1,636,230)</u>	
 \$ 41,331	 \$ -	 \$ 41,331	
(80,633)	-	(80,633)	
(7,318)	-	(7,318)	
-	-	-	
<u>\$ (46,620)</u>	<u>\$ -</u>	<u>\$ (46,620)</u>	
<u>\$ (4,984,825)</u>	<u>\$ -</u>	<u>\$ (4,984,825)</u>	
 \$ -	 \$ (26,289)	 \$ (26,289)	
\$ -	\$ (26,289)	\$ (26,289)	
<u>\$ (4,984,825)</u>	<u>\$ (26,289)</u>	<u>\$ (5,011,114)</u>	

\$ (20,545)

\$	1,988,770	\$	-	\$	1,988,770	\$	-
	105,057		-		105,057		-
	125,116		-		125,116		-
	187,145		-		187,145		-
	582,067		-		582,067		-
	516,887		-		516,887		-
	2,583,420		-		2,583,420		-
	21,567	87			21,654		1,232
	1,039	-			1,039		-
<u>\$</u>	<u>6,111,068</u>	<u>\$</u>	<u>87</u>	<u>\$</u>	<u>6,111,155</u>	<u>\$</u>	<u>1,232</u>
\$	1,126,243	\$	(26,202)	\$	1,100,041	\$	(19,313)
<u></u>	<u>4,658,259</u>	<u></u>	<u>43,467</u>	<u></u>	<u>4,701,726</u>	<u></u>	<u>229,913</u>
\$	5,784,502	\$	17,265	\$	5,801,767	\$	210,600

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
ASSETS:				
Cash and pooled investments	\$ 1,019,322	\$ 956,620	\$ 204,015	\$ 2,179,957
Receivables:				
Property tax:				
Delinquent	20,990	1,121	2,786	24,897
Succeeding year	2,114,406	133,979	276,999	2,525,384
Accounts	-	-	5,689	5,689
Due from other governments	408,346	149,861	-	558,207
Prepaid expenses	<u>44,744</u>	<u>-</u>	<u>-</u>	<u>44,744</u>
Total assets	<u>\$ 3,607,808</u>	<u>\$ 1,241,581</u>	<u>\$ 489,489</u>	<u>\$ 5,338,878</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 31,281	\$ 25,065	\$ 2,955	\$ 59,301
Due to other governments	123,039	-	-	123,039
Deferred revenue:				
Succeeding year property tax	2,114,406	133,979	276,999	2,525,384
Other	<u>227,508</u>	<u>64,520</u>	<u>-</u>	<u>292,028</u>
Total liabilities	<u>\$ 2,496,234</u>	<u>\$ 223,564</u>	<u>\$ 279,954</u>	<u>\$ 2,999,752</u>
Fund balances:				
Nonspendable:				
Prepaid expenses	\$ 44,744	\$ -	\$ -	\$ 44,744
Restricted for:				
Categorical funding	219,363	-	-	219,363
Debt service	-	-	11,936	11,936
Management levy	-	-	123,984	123,984
Student activities	-	-	73,615	73,615
School infrastructure	-	480,906	-	480,906
Physical plant and equipment	-	537,111	-	537,111
Unassigned	<u>847,467</u>	<u>-</u>	<u>-</u>	<u>847,467</u>
Total fund balances	<u>\$ 1,111,574</u>	<u>\$ 1,018,017</u>	<u>\$ 209,535</u>	<u>\$ 2,339,126</u>
Total liabilities and fund balances	<u>\$ 3,607,808</u>	<u>\$ 1,241,581</u>	<u>\$ 489,489</u>	<u>\$ 5,338,878</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDSTO THE STATEMENT OF NET ASSETSJUNE 30, 2012

Total fund balances of governmental funds	\$ 2,339,126
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,472,263
Bond issue costs are reported in the governmental activities but are not reported in the governmental funds as they do not provide current economic resources.	18,243
Assets that are recognized in the statement of net assets but have been deferred or unearned in the governmental funds.	290,339
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(7,272)
Accrued compensation absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,295)
Long-term liabilities, including bonds payable, capital lease obligations and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(2,322,902)</u>
Net assets of governmental activities	<u>\$ 5,784,502</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	General	Capital Projects	Nonmajor	Total
Revenues:				
Local sources:				
Local tax	\$ 2,215,647	\$ 706,854	\$ 292,202	\$ 3,214,703
Tuition	266,152	-	-	266,152
Other	109,640	75,184	161,950	346,774
State sources	3,335,654	64	148	3,335,866
Federal sources	309,428	-	-	309,428
Total revenues	<u>\$ 6,236,521</u>	<u>\$ 782,102</u>	<u>\$ 454,300</u>	<u>\$ 7,472,923</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,871,986	\$ 562,110	\$ -	\$ 3,434,096
Special instruction	863,791	-	-	863,791
Other instruction	373,206	-	162,644	535,850
	<u>\$ 4,108,983</u>	<u>\$ 562,110</u>	<u>\$ 162,644</u>	<u>\$ 4,833,737</u>
Support services:				
Student services	\$ 69,075	\$ -	\$ -	\$ 69,075
Instructional staff services	59,260	-	-	59,260
Administration services	668,771	13,000	85,676	767,447
Operation and maintenance of plant services	347,636	9,065	-	356,701
Transportation services	280,662	-	-	280,662
	<u>\$ 1,425,404</u>	<u>\$ 22,065</u>	<u>\$ 85,676</u>	<u>\$ 1,533,145</u>
Other expenditures:				
Facilities and equipment acquisition	\$ -	\$ 96,920	\$ -	\$ 96,920
Long-term debt:				
Principal	-	-	432,527	432,527
Interest and fiscal charges	-	-	76,098	76,098
AEA flow through	258,850	-	-	258,850
	<u>\$ 258,850</u>	<u>\$ 96,920</u>	<u>\$ 508,625</u>	<u>\$ 864,395</u>
Total expenditures	<u>\$ 5,793,237</u>	<u>\$ 681,095</u>	<u>\$ 756,945</u>	<u>\$ 7,231,277</u>
Excess (deficiency) of revenue over (under) expenditures	<u>\$ 443,284</u>	<u>\$ 101,007</u>	<u>\$ (302,645)</u>	<u>\$ 241,646</u>
Other financing sources (uses):				
Sale of capital assets	\$ 3,690	\$ -	\$ -	\$ 3,690
Insurance recoveries	12,877	-	-	12,877
Proceeds from capital lease	-	398,381	-	398,381
Transfers in	-	150,000	324,556	474,556
Transfers out	-	(468,814)	(5,742)	(474,556)
Total other financing sources (uses)	<u>\$ 16,567</u>	<u>\$ 79,567</u>	<u>\$ 318,814</u>	<u>\$ 414,948</u>
Net change in fund balances	\$ 459,851	\$ 180,574	\$ 16,169	\$ 656,594
Fund balances beginning of year	651,723	837,443	193,366	1,682,532
Fund balances end of year	<u>\$ 1,111,574</u>	<u>\$ 1,018,017</u>	<u>\$ 209,535</u>	<u>\$ 2,339,126</u>

See notes to financial statements.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES ANDCHANGES IN FUND BALANCES - GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ 656,594

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are capitalized in the Statement of Net Assets and are expensed over their estimated useful lives as depreciation/amortization expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 622,190	
Depreciation/amortization expense	<u>(370,098)</u>	252,092

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ (398,381)	
Repaid	<u>432,527</u>	34,146

Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. 290,339

Bond issuance costs are reported in the governmental activities, but are not reported in the governmental funds as they do not provide current economic resources. (3,134)

Cash received on the sale of capital assets is recognized as revenue in the governmental funds. In the Statement of Activities, a gain (loss) on disposal of capital assets is recognized based on the difference between the cash received and the net book value of the capital assets disposed. (23,886)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,401)

Accrued compensated absences are not reported on the modified accrual basis. 6,585

Other post employment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (85,092)

Change in net assets of governmental activities \$ 1,126,243

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF NET ASSETS - PROPRIETARY FUNDJUNE 30, 2012

	<u>School Nutrition</u>
ASSETS:	
Cash and cash equivalents	\$ 18,627
Inventories	9,695
Prepaid expenses	744
Capital assets, net of accumulated depreciation	<u>26,028</u>
Total assets	<u>\$ 55,094</u>
LIABILITIES:	
Accounts payable	\$ 30,689
Deferred revenue	<u>7,140</u>
Total liabilities	<u>\$ 37,829</u>
NET ASSETS:	
Invested in capital assets, net of related debt	\$ 26,028
Unrestricted	<u>(8,763)</u>
Total net assets	<u>\$ 17,265</u>
Total liabilities and net assets	<u>\$ 55,094</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -PROPRIETARY FUNDYEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 175,203
Miscellaneous	<u>251</u>
Total operating revenues	<u>\$ 175,454</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Purchased services	\$ 6,036
Food services and supplies	346,060
Depreciation	<u>4,946</u>
Total operating expenses	<u>\$ 357,042</u>
Operating loss	<u>\$ (181,588)</u>
Non-operating revenues:	
Interest income	\$ 87
State sources	3,809
Federal sources	123,014
Food distribution	<u>28,476</u>
Total non-operating revenues	<u>\$ 155,386</u>
Change in net assets	\$ (26,202)
Net assets beginning of year	<u>43,467</u>
Net assets end of year	<u><u>\$ 17,265</u></u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF CASH FLOWS - PROPRIETARY FUNDYEAR ENDED JUNE 30, 2012

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 176,755
Cash paid to suppliers for goods or services	<u>(289,030)</u>
Net cash used by operating activities	<u>\$ (112,275)</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,809
Federal grants received	<u>123,014</u>
Net cash provided by non-capital financing activities	<u>\$ 126,823</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 87</u>
Net cash provided by investing activities:	<u>\$ 87</u>
Net change in cash and cash equivalents	\$ 14,635
Cash and cash equivalents beginning of year	<u>3,992</u>
Cash and cash equivalents end of year	<u><u>\$ 18,627</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (181,588)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	29,393
Depreciation	4,946
Decrease in prepaid expenses	2,710
Decrease in inventories	274
Increase in accounts payable	30,689
Increase in deferred revenues	<u>1,301</u>
Net cash used by operating activities	<u><u>\$ (112,275)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2012, the District received \$28,476 of federal commodities.	

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDYEAR ENDED JUNE 30, 2012

ASSETS:

Cash and pooled investments	\$ 24,364
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Total assets	\$ 24,364
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LIABILITIES:

Due to others	\$ 24,364
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Total liabilities	\$ 24,364
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NET ASSETS:

Unrestricted	\$ -
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Total net assets	\$ -
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BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Boyden-Hull Community School District (the District) is a political subdivision of the State of Iowa and operates public schools for children in grades transitional kindergarten through twelve. The geographic areas served include the cities of Boyden and Hull, Iowa, and the predominant agricultural territory in Sioux and Lyon Counties in Iowa. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

- A. Reporting Entity - For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

Discretely Presented Component Unit - In August 1997, the District established the Boyden-Hull Community School District Foundation by appointing a board of trustees to incorporate a foundation under the Iowa Non-Profit Corporation Act, Iowa Code Chapter 504A. The focus of the Foundation is exclusively charitable, scientific, and educational purposes of the District. The financial activity of the Foundation is included in the financial statements of the Boyden-Hull Community School District as a discretely presented component unit for the year ended June 30, 2012. Complete financial statements are on file at the District.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Sioux County Assessor's Conference Board.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

B. Basis of Presentation

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in the following categories:

Invested in Capital Assets, Net of Related Debt - Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds and capital leases attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets - Result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - Consist of net assets that do not meet the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Funds are used to account for assets held by the District as an agent for individuals. The Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, compensated absences, and special termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The proprietary fund of the District applies all GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1-1/2 percent per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, equipment and intangibles, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of \$1,000 and estimated useful lives in excess of two years.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Capital assets are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, were paid in June of 2012.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012 and include all related benefits. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts not in spendable form or amounts that are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, no expenditures in the functional areas exceeded the amount budgeted.

NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 - CASH AND POOLED INVESTMENTS (CONTINUED):

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust Diversified Fund which are valued at an amortized cost of \$19,332 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard and Poor's Financial Services.

NOTE 3 - INTERFUND TRANSFERS:

During the year ended June 30, 2012, \$318,814 was transferred from the Statewide Sales, Services and Use Tax Fund to the Debt Service Fund in order to provide for principal and interest payments on the District's long-term debt.

During the year ended June 30, 2012, \$150,000 was transferred from the Statewide Sales, Services and Use Tax Fund to the PPEL Fund in order to provide additional resources for the purchase of property and equipment.

During the year ended June 30, 2012, \$5,742 was transferred to the Student Activity Fund to close the Gift and Trust Fund.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 345,596	\$ -	\$ -	\$ 345,596
Total capital assets not being depreciated	\$ 345,596	\$ -	\$ -	\$ 345,596
Capital assets being depreciated/amortized:				
Land improvements	\$ 594,890	\$ 3,489	\$ -	\$ 598,379
Buildings	1,826,681	-	-	1,826,681
Building improvements	4,363,911	61,621	-	4,425,532
Furniture and equipment	873,973	544,818	84,411	1,334,380
Vehicles	810,136	12,262	25,000	797,398
Intangibles	22,898	-	-	22,898
Total capital assets being depreciated/amortized	\$ 8,492,489	\$ 622,190	\$ 109,411	\$ 9,005,268
Less accumulated depreciation/amortization for:				
Land improvements	\$ 482,117	\$ 7,650	\$ -	\$ 489,767
Buildings	448,290	31,096	-	479,386
Building improvements	1,565,497	95,622	-	1,661,119
Furniture and equipment	512,297	165,495	70,525	607,267
Vehicles	576,490	64,161	15,000	625,651
Intangibles	9,337	6,074	-	15,411
Total accumulated depreciation/amortization	\$ 3,594,028	\$ 370,098	\$ 85,525	\$ 3,878,601
Total capital assets being depreciated/amortized, net	\$ 4,898,461	\$ 252,092	\$ 23,886	\$ 5,126,667
Total governmental activities capital assets, net	\$ 5,244,057	\$ 252,092	\$ 23,886	\$ 5,472,263
Business type activities:				
Furniture and equipment	\$ 92,780	\$ -	\$ -	\$ 92,780
Less accumulated depreciation	61,806	4,946	-	66,752
Business type activities capital assets, net	\$ 30,974	\$ (4,946)	\$ -	\$ 26,028

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4 - CAPITAL ASSETS (CONTINUED):

Depreciation/amortization expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 197,753
Special	50,761
Other	31,489

Support services:

Student	4,059
Instructional staff	3,482
Administration	45,099
Operation and maintenance of plant	20,962
Transportation	<u>16,493</u>

Total depreciation/amortization expense - governmental activities	<u>\$ 370,098</u>
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Business type activities:

Food service operations	<u>\$ 4,946</u>
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NOTE 5 - LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation school refunding bond	\$ 1,670,000	\$ -	\$ 190,000	\$ 1,480,000	\$ 195,000
Revenue bonds	428,572	-	142,857	285,715	142,857
Capital lease obligation	-	398,381	99,670	298,711	96,669
Net OPEB liability	<u>173,384</u>	<u>85,092</u>	<u>-</u>	<u>258,476</u>	<u>-</u>
Total	<u>\$ 2,271,956</u>	<u>\$ 483,473</u>	<u>\$ 432,527</u>	<u>\$ 2,322,902</u>	<u>\$ 434,526</u>

General Obligation School Refunding Bonds - 2009 - In order to obtain more favorable interest rates, in July 2009 the District issued \$2,045,000 General Obligation Bonds (refunding), to advance refund \$2,000,000 of the District's previously issued and outstanding general obligation bonds with interest rates ranging between 4.30 and 4.75 percent. As a result of the refunding, the District reduced its aggregate debt service payments to maturity by \$125,432 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$97,080.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

Details of the District's June 30, 2012 general obligation bonds are as follows:

School Refunding Bond Issue of 2009				
Year Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2.30%	\$ 195,000	\$ 46,830	\$ 241,830
2014	2.60%	200,000	42,345	242,345
2015	3.00%	205,000	37,145	242,145
2016	3.15%	210,000	30,995	240,995
2017	3.40%	215,000	24,380	239,380
Thereafter	3.70% - 3.80%	455,000	26,000	481,000
		<u>\$ 1,480,000</u>	<u>\$ 207,695</u>	<u>\$ 1,687,695</u>

Revenue Bonds - Details of the District's June 30, 2012 revenue bonds are as follows:

Bond Issue of 2007				
Year Ending	Interest			
<u>June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4.75%	\$ 142,857	\$ 10,179	\$ 153,036
2014	4.75%	142,858	3,393	146,251
		<u>\$ 285,715</u>	<u>\$ 13,572</u>	<u>\$ 299,287</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$1,000,000 bonds issued in April 2007. The bonds were issued for the purpose of financing a portion of the costs of school infrastructure. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 30 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$299,287. For the current year, principal and interest paid on the bonds totaled \$159,821 and total statewide sales, services and use tax revenues were \$516,887.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 - LONG-TERM LIABILITIES (CONTINUED):

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account (capital project fund account).
- b) An amount necessary to make the next scheduled bond payment shall be deposited in the Sinking Fund.
- c) Any monies remaining in the project account after the required transfer to the Sinking Fund may be used for any lawful purpose.

The District maintained adequate balances in the District's Capital Project Fund account and made payments for the purposes of issuance during the year ended June 30, 2012.

Capital Lease - On August 7, 2011, the District entered into a four-year lease agreement as lessee for financing the acquisition of laptops as part of the 1:1 Laptop Initiative. This initiative was approved by the District to provide laptops for students and faculty use. The cost of the laptops and accessories was \$398,381 and has been capitalized and is being depreciated in accordance with the District's policy. The assets and associated depreciation expense are included in the furniture and equipment classification.

The following is a schedule of future minimum lease payments under the capital lease, together with the net present value of the minimum lease payments as of June 30, 2012.

<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2.95%	\$ 96,669	\$ 8,104	\$ 104,773
2014	2.95%	99,542	5,231	104,773
2015	2.95%	102,500	2,273	104,773
		<u>\$ 298,711</u>	<u>\$ 15,608</u>	<u>\$ 314,319</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38 percent of their annual covered salary and the District is required to contribute 8.07 percent of annual covered payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$286,429, \$244,236 and \$236,606, respectively, equal to the required contributions for each year.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB):

Plan Description - The District operates a single-employer benefit plan which provides medical and prescription drug benefits. There are 84 active and 5 retired members in the plan. Retired participants must be age 55 or older.

The medical/prescription drug benefits are provided through a fully-insured plan with Alliance Select. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount implicitly contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 158,315
Interest on net OPEB obligation	7,800
Adjustment to annual required contribution	<u>(10,000)</u>
Annual OPEB cost	\$ 156,115
Employer contributions made	<u>(71,023)</u>
Increase in net OPEB obligation	\$ 85,092
Net OPEB obligation beginning of year	<u>173,384</u>
Net OPEB obligation end of year	<u><u>\$ 258,476</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the implicit contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the District had an implicit contribution of \$71,023 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2010	\$ 158,315	44.86%	\$ 87,292
2011	157,115	45.20%	173,384
2012	156,115	45.49%	258,476

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,016,753, with no actuarial value of assets, resulting in an unfunded actuarial liability (UAAL) of \$1,016,753. As of June 30, 2012, there were no trust fund assets.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED):

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5 percent discount rate based on the District's funding policy. The projected annual medical trend rate is 10 percent. The ultimate medical trend rate is 5 percent. The medical trend rate is reduced 1 percent each year until reaching the 5 percent ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group. Active plan members were assumed to retire at age 60, or the first subsequent year in which the member would qualify for benefits.

Projected claim costs of the medical plan are approximately \$550 per month for retirees less than age 65. The salary increase rate was assumed to be 4.5 percent per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8 - RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$258,850 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NOTE 10 - CONSTRUCTION COMMITMENTS:

At June 30, 2012, the District had entered into various construction contracts for building improvements totaling \$57,548. As of June 30, 2012, no costs have been incurred against the contracts. The balance will be paid as work on the projects progress.

REQUIRED SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES

AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS

AND PROPRIETARY FUND

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 3,827,629	\$ 175,541	\$ 4,003,170
State sources	3,335,866	3,809	3,339,675
Federal sources	309,428	151,490	460,918
Total revenues	<u>\$ 7,472,923</u>	<u>\$ 330,840</u>	<u>\$ 7,803,763</u>
Expenditures/Expenses:			
Instruction	\$ 4,833,737	\$ -	\$ 4,833,737
Support services	1,533,145	-	1,533,145
Non-instructional programs	-	357,042	357,042
Other expenditures	864,395	-	864,395
Total expenditures/expenses	<u>\$ 7,231,277</u>	<u>\$ 357,042</u>	<u>\$ 7,588,319</u>
Excess (deficiencies) of revenue over (under) expenditures/expenses	\$ 241,646	\$ (26,202)	\$ 215,444
Other financing sources	<u>414,948</u>	<u>-</u>	<u>414,948</u>
Excess (deficiency) of revenue and other financing sources over (under) expenditures/expenses	\$ 656,594	\$ (26,202)	\$ 630,392
Balances beginning of year	<u>1,682,532</u>	<u>43,467</u>	<u>1,725,999</u>
Balances end of year	<u>\$ 2,339,126</u>	<u>\$ 17,265</u>	<u>\$ 2,356,391</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
<u>Original</u>	<u>Final</u>	Actual <u>Variance</u>
\$ 3,984,388	\$ 3,984,388	\$ 18,782
3,352,729	3,352,729	(13,054)
<u>300,764</u>	<u>300,764</u>	<u>160,154</u>
<u>\$ 7,637,881</u>	<u>\$ 7,637,881</u>	<u>\$ 165,882</u>
\$ 4,935,002	\$ 4,935,002	\$ 101,265
2,061,341	2,459,722	926,577
368,000	368,000	10,958
<u>789,318</u>	<u>896,682</u>	<u>32,287</u>
<u>\$ 8,153,661</u>	<u>\$ 8,659,406</u>	<u>\$ 1,071,087</u>
<u><u>\$ (515,780)</u></u>	<u><u>\$ (1,021,525)</u></u>	<u><u>\$ 1,236,969</u></u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except the district foundation, a discretely presented component unit, and the agency fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$505,745.

During the year ended June 30, 2012, no expenditures in the functional areas exceeded the amount budgeted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN (IN THOUSANDS)

REQUIRED SUPPLEMENTARY INFORMATION

<u>Year Ended</u> <u>June 30,</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>
2010	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%
2011	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%
2012	July 1, 2009	\$ -	\$ 1,017	\$ 1,017	0.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2012

ASSETS

	<u>Special Revenue</u>				
	<u>Management Levy</u>	<u>Student Activity</u>	<u>Gift and Trust</u>	<u>Debt Service</u>	<u>Total</u>
Cash and pooled investments	\$ 122,875	\$ 70,881	\$ -	\$ 10,259	\$ 204,015
Receivables:					
Property tax:					
Delinquent	1,109	-	-	1,677	2,786
Succeeding year	104,999	-	-	172,000	276,999
Accounts	-	5,689	-	-	5,689
Total assets	<u>\$ 228,983</u>	<u>\$ 76,570</u>	<u>\$ -</u>	<u>\$ 183,936</u>	<u>\$ 489,489</u>

LIABILITIES AND FUND BALANCES

Liabilities:					
Accounts payable	\$ -	\$ 2,955	\$ -	\$ -	\$ 2,955
Deferred revenue:					
Succeeding year property tax	104,999	-	-	172,000	276,999
Total liabilities	<u>\$ 104,999</u>	<u>\$ 2,955</u>	<u>\$ -</u>	<u>\$ 172,000</u>	<u>\$ 279,954</u>
Fund balances:					
Restricted for:					
Management levy	\$ 123,984	\$ -	\$ -	\$ -	\$ 123,984
Student activities	-	73,615	-	-	73,615
Debt service	-	-	-	11,936	11,936
	<u>\$ 123,984</u>	<u>\$ 73,615</u>	<u>\$ -</u>	<u>\$ 11,936</u>	<u>\$ 209,535</u>
Total liabilities and fund balances	<u>\$ 228,983</u>	<u>\$ 76,570</u>	<u>\$ -</u>	<u>\$ 183,936</u>	<u>\$ 489,489</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	Special Revenue				Total
	Management Levy	Student Activity	Gift and Trust	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 105,057	\$ -	\$ -	\$ 187,145	\$ 292,202
Other	8,349	152,589	1,012	-	161,950
State sources	53	-	-	95	148
Total revenues	<u>\$ 113,459</u>	<u>\$ 152,589</u>	<u>\$ 1,012</u>	<u>\$ 187,240</u>	<u>\$ 454,300</u>
Expenditures:					
Current:					
Instruction:					
Other instruction	\$ -	\$ 162,644	\$ -	\$ -	\$ 162,644
Support services:					
Administration services	<u>\$ 85,617</u>	<u>\$ -</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 85,676</u>
Other expenditures:					
Long-term debt:					
Principal	\$ -	\$ -	\$ -	\$ 432,527	\$ 432,527
Interest	-	-	-	76,098	76,098
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 508,625</u>	<u>\$ 508,625</u>
Total expenditures	<u>\$ 85,617</u>	<u>\$ 162,644</u>	<u>\$ 59</u>	<u>\$ 508,625</u>	<u>\$ 756,945</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 27,842	\$ (10,055)	\$ 953	\$ (321,385)	\$ (302,645)
Other financing sources (uses):					
Transfers in	-	5,742	-	318,814	324,556
Transfers out	-	-	(5,742)	-	(5,742)
Total other financing sources (uses)	<u>-</u>	<u>5,742</u>	<u>(5,742)</u>	<u>318,814</u>	<u>318,814</u>
Net changes in fund balances	27,842	(4,313)	(4,789)	(2,571)	16,169
Fund balances beginning of year	<u>96,142</u>	<u>77,928</u>	<u>4,789</u>	<u>14,507</u>	<u>193,366</u>
Fund balances end of year	<u>\$ 123,984</u>	<u>\$ 73,615</u>	<u>\$ -</u>	<u>\$ 11,936</u>	<u>\$ 209,535</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTCOMBINING BALANCE SHEET - CAPITAL PROJECT ACCOUNTSJUNE 30, 2012ASSETS

	<u>Capital Projects</u>		
	<u>Statewide</u>	<u>Physical</u>	
	<u>Sales, Services</u>	<u>Plant and</u>	
	<u>and Use Tax</u>	<u>Equipment</u>	<u>Total</u>
		<u>Levy</u>	
Cash and pooled investments	\$ 395,565	\$ 561,055	\$ 956,620
Receivables:			
Property tax:			
Delinquent	-	1,121	1,121
Succeeding year	-	133,979	133,979
Due from other governments	<u>85,341</u>	<u>64,520</u>	<u>149,861</u>
Total assets	<u>\$ 480,906</u>	<u>\$ 760,675</u>	<u>\$ 1,241,581</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ -	\$ 25,065	\$ 25,065
Deferred revenue:			
Succeeding year property tax	-	133,979	133,979
Other	<u>-</u>	<u>64,520</u>	<u>64,520</u>
Total liabilities	<u>\$ -</u>	<u>\$ 223,564</u>	<u>\$ 223,564</u>
Fund balances:			
Restricted for:			
School infrastructure	\$ 480,906	\$ -	\$ 480,906
Physical plant and equipment	<u>-</u>	<u>537,111</u>	<u>537,111</u>
	<u>\$ 480,906</u>	<u>\$ 537,111</u>	<u>\$ 1,018,017</u>
Total liabilities and fund equity	<u>\$ 480,906</u>	<u>\$ 760,675</u>	<u>\$ 1,241,581</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - CAPITAL PROJECT ACCOUNTS

YEAR ENDED JUNE 30, 2012

	Capital Projects		
	Statewide	Physical	
	Sales, Services	Plant and	
	and Use Tax	Equipment	
		Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 516,887	\$ 189,967	\$ 706,854
Other	3,956	71,228	75,184
State sources	-	64	64
Total revenues	\$ 520,843	\$ 261,259	\$ 782,102
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ -	\$ 562,110	\$ 562,110
Support services:			
Administration services	\$ -	\$ 13,000	\$ 13,000
Operation and maintenance of plant services	-	9,065	9,065
Transportation services	-	-	-
	\$ -	\$ 22,065	\$ 22,065
Other expenditures:			
Facilities and equipment acquisition	\$ -	\$ 96,920	\$ 96,920
Total expenditures	\$ -	\$ 681,095	\$ 681,095
Excess (deficiency) of revenues over (under) expenditures	\$ 520,843	\$ (419,836)	\$ 101,007
Other financing sources (uses):			
Proceeds from capital lease	\$ -	\$ 398,381	\$ 398,381
Transfers in	-	150,000	150,000
Transfers out	(468,814)	-	(468,814)
Total other financing sources (uses)	\$ (468,814)	\$ 548,381	\$ 79,567
Net change in fund balances	\$ 52,029	\$ 128,545	\$ 180,574
Fund balances beginning of year	\$ 428,877	\$ 408,566	\$ 837,443
Fund balances end of year	\$ 480,906	\$ 537,111	\$ 1,018,017
See accompanying independent auditor's report.			Page 44

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS

YEAR ENDED JUNE 30, 2012

ACCOUNT:	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Intrafund Transfers	Balance End of Year
Athletic general	\$ 2,102	\$ 13,535	\$ 3,337	\$ (12,300)	\$ -
Band	1,340	659	992	458	1,465
Band uniform maintenance	497	460	376	-	581
Baseball	-	-	3,133	3,133	-
Boys basketball	3,801	9,484	11,425	(1,860)	-
Boys track	-	163	5,987	5,824	-
Cheerleaders	526	4,384	4,057	1	854
Choir Robes	1,706	376	-	-	2,082
Class of 2011	484	-	484	-	-
Class of 2012	3,272	-	-	(3,272)	-
Class of 2013	2,045	10,986	11,903	-	1,128
Class of 2014	401	884	-	-	1,285
Class of 2015	-	1,506	-	-	1,506
Class of 2016	-	1,012	2,718	3,272	1,566
Cross country	-	-	1,466	1,466	-
Elementary band	5	92	84	-	13
Elementary contributions and donations	-	6,421	-	-	6,421
Elementary student council	5,531	8,199	8,726	-	5,004
Elementary student miscellaneous	127	198	198	-	127
Family Career Community Leader of America	4,498	2,352	1,671	-	5,179
Football	4,994	6,911	13,473	1,568	-
Future Farmers of America	3,653	22,792	18,640	-	7,805
General miscellaneous	-	53	225	172	-
Girls basketball	1,427	7,587	4,810	(4,204)	-
Girls track	204	162	6,797	6,431	-
Golf	-	-	1,489	1,489	-
High school student council	4,633	2,550	4,555	-	2,628
Interest	368	85	-	-	453
Junior high band	749	453	673	(44)	485
Junior high student council	71	-	30	-	41
Magazine sales	-	3,770	3,770	-	-
Musical	-	2,867	1,951	(916)	-
National Honor Society	102	-	-	-	102
Pep bus/students	3	-	-	-	3
Pep club	7,499	7,108	6,524	-	8,083
Quiz bowl	1,077	335	681	-	731
Recycling	4,341	6,907	5,361	-	5,887
Resale elementary band	57	507	609	45	-
Resale high school band	181	70	-	-	251
Resale industrial arts	957	2,023	2,667	-	313
Resale marketing	2,179	30	392	-	1,817
School play	1,492	1,726	480	-	2,738
Secondary contributions and donations	-	2,110	-	-	2,110
Sixth grade trip	7,142	9,252	8,006	-	8,388
Softball	818	-	1,298	480	-
Spanish club	1,169	-	-	-	1,169
Speech	-	360	353	-	7
Vocal	934	705	1,682	458	415
Volleyball	662	4,054	8,232	3,516	-
Wrestling	-	-	2,672	2,672	-
Yearbook	6,062	13,788	10,165	(8,389)	1,296
Yearbook - gallery	819	1,415	552	-	1,682
Total	\$ 77,928	\$ 158,331	\$ 162,644	\$ -	\$ 73,615

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS

FOR THE LAST NINE YEARS

	Modified Accrual Basis								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:									
Local sources:									
Local tax	\$ 3,214,703	\$ 3,041,032	\$ 2,654,565	\$ 2,587,833	\$ 2,412,950	\$ 2,403,753	\$ 2,293,349	\$ 2,298,543	\$ 2,198,648
Tuition	266,152	316,238	312,532	307,400	294,823	264,514	294,581	251,351	216,390
Other	346,774	330,454	280,083	280,218	374,147	389,169	306,137	247,944	212,844
State sources	3,335,866	3,079,186	2,837,500	3,254,603	3,151,642	2,695,903	2,903,503	2,685,069	2,303,009
Federal sources	309,428	289,147	608,627	241,191	219,844	264,126	292,622	270,810	181,202
Other financing sources (uses)	414,948	(1,836)	53,162	28,114	10,751	24,494	18,845	-	-
Total	<u>\$ 7,887,871</u>	<u>\$ 7,054,221</u>	<u>\$ 6,746,469</u>	<u>\$ 6,699,359</u>	<u>\$ 6,464,157</u>	<u>\$ 6,041,959</u>	<u>\$ 6,109,037</u>	<u>\$ 5,753,717</u>	<u>\$ 5,112,093</u>
Expenditures:									
Instruction:									
Regular instruction	\$ 3,434,096	\$ 2,780,360	\$ 2,816,106	\$ 2,642,436	\$ 2,640,587	\$ 2,383,420	\$ 2,428,834	\$ 2,314,176	\$ 2,104,063
Special instruction	863,791	847,500	854,291	842,337	932,062	882,231	769,968	804,400	741,219
Other instruction	535,850	519,609	535,171	543,132	549,878	488,860	457,653	336,175	289,069
Support services:									
Student services	69,075	74,236	63,960	140,641	126,826	118,532	115,089	64,445	67,200
Instructional staff services	59,260	71,308	71,651	67,331	48,057	46,867	181,236	108,945	137,832
Administration services	767,447	933,179	802,835	664,964	600,002	581,519	624,745	555,994	505,644
Operation and maintenance of plant services	356,701	389,581	361,994	513,281	492,197	514,328	339,590	344,973	294,707
Transportation services	280,662	383,626	253,939	340,854	307,360	387,423	206,688	229,499	170,991
Other expenditures:									
Facilities and equipment acquisition	96,920	16,606	73,433	265,287	834,261	677,874	166,595	67,055	175,629
Long-term debt:									
Principal	432,527	322,857	337,857	297,857	287,857	140,000	135,000	125,000	120,000
Interest and other charges	76,098	82,130	123,780	140,122	155,819	113,058	119,809	126,058	131,957
AEA flow through	258,850	282,067	282,451	252,631	240,409	233,110	227,179	210,741	198,283
Total	<u>\$ 7,231,277</u>	<u>\$ 6,703,059</u>	<u>\$ 6,577,468</u>	<u>\$ 6,710,873</u>	<u>\$ 7,215,315</u>	<u>\$ 6,567,222</u>	<u>\$ 5,772,386</u>	<u>\$ 5,287,461</u>	<u>\$ 4,936,594</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTCOMBINING STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUNDSJUNE 30, 2012

	<u>Employee Pop Account</u>	<u>Employee Flex Account</u>	<u>Total</u>
ASSETS:			
Cash and pooled investments	\$ <u>5,827</u>	\$ <u>18,537</u>	\$ <u>24,364</u>
Total assets	\$ <u>5,827</u>	\$ <u>18,537</u>	\$ <u>24,364</u>
LIABILITIES:			
Due to others	\$ <u>5,827</u>	\$ <u>18,537</u>	\$ <u>24,364</u>
Total liabilities	\$ <u>5,827</u>	\$ <u>18,537</u>	\$ <u>24,364</u>

BOYDEN-HULL COMMUNITY SCHOOL DISTRICTCOMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDSFOR THE YEAR ENDED JUNE 30, 2012

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>EMPLOYEE POP ACCOUNT</u>				
ASSETS:				
Cash and pooled investments	\$ 5,448	\$ 2,822	\$ 2,443	\$ 5,827
Total assets	<u>\$ 5,448</u>	<u>\$ 2,822</u>	<u>\$ 2,443</u>	<u>\$ 5,827</u>
LIABILITIES:				
Due to others	\$ 5,448	\$ 2,822	\$ 2,443	\$ 5,827
Total liabilities	<u>\$ 5,448</u>	<u>\$ 2,822</u>	<u>\$ 2,443</u>	<u>\$ 5,827</u>
<u>EMPLOYEE FLEX ACCOUNT</u>				
ASSETS:				
Cash and pooled investments	\$ 22,228	\$ 71,591	\$ 75,282	\$ 18,537
Total assets	<u>\$ 22,228</u>	<u>\$ 71,591</u>	<u>\$ 75,282</u>	<u>\$ 18,537</u>
LIABILITIES:				
Due to others	\$ 22,228	\$ 71,591	\$ 75,282	\$ 18,537
Total liabilities	<u>\$ 22,228</u>	<u>\$ 71,591</u>	<u>\$ 75,282</u>	<u>\$ 18,537</u>
<u>TOTAL</u>				
ASSETS:				
Cash and pooled investments	\$ 27,676	\$ 74,413	\$ 77,725	\$ 24,364
Total assets	<u>\$ 27,676</u>	<u>\$ 74,413</u>	<u>\$ 77,725</u>	<u>\$ 24,364</u>
LIABILITIES:				
Due to others	\$ 27,676	\$ 74,413	\$ 77,725	\$ 24,364
Total liabilities	<u>\$ 27,676</u>	<u>\$ 74,413</u>	<u>\$ 77,725</u>	<u>\$ 24,364</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education of
Boyden-Hull Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Boyden-Hull Community School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-12 and I-B-12 to be material weaknesses.



To the Board of Education
Boyden-Hull Community School District

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit the District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the District and other parties to whom the District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 26, 2013
Sioux City, Iowa

King, Reinsch, Prosser & Co., L.L.P.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES

I-A-12 Preparation of Financial Statements In Accordance With GAAP - The financial statements are the responsibility of the District's management. That responsibility is satisfied by either (a) management preparing the financial statements in accordance with GAAP or (b) management demonstrating the necessary GAAP expertise when reviewing and approving financial statements (that the auditor has assisted in drafting) and the various schedules and calculations used to prepare such financial statements. Management reviews draft financial statements prior to issuance but does not fully possess a knowledge of the District's GAAP financial reporting process.

Recommendation - We recommend management review the District's GAAP financial reporting process and seek the necessary guidance/training so as to more fully understand the process to prepare the District's financial statements in accordance with GAAP.

Response - The District understands the nature of the weakness and the necessity for management to further its understanding of GAAP financial reporting. The District will implement changes as deemed necessary.

Conclusion - Response accepted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

(CONTINUED)

Part I: Findings Related to the Financial Statements (Continued):

- I-B-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an employee from handling duties which are incompatible. Incompatible duties, for internal control purposes, are those duties that place a person in a position where they could both perpetuate and conceal error and/or fraud. To accomplish proper segregation of duties, the system, insofar as possible, should provide for different individuals to perform the functions of (a) authorizing transactions, (b) recording transactions, (c) maintaining custody of the assets that result from transactions, and (d) comparing assets with the related amounts recorded in the accounting records. In performing our audit, we noted that the Business Manager has primary responsibility for certain accounting and financial duties.

Recommendation - The size of the District's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. Nevertheless, the District should review and segregate duties to the extent possible especially with respect to cash receipts, disbursements and payroll activities. For example, different individuals should (a) open the mail, (b) deposit cash receipts, and (c) record cash receipts to the general ledger. The Board of Education and Superintendent must remain actively involved in the financial affairs of the District to provide oversight and review functions such as by reviewing payroll registers for accuracy by comparing to approve pay rates/contracts for selected employees.

Response - The District understands the nature of the weakness and the necessity for the Board and Superintendent to provide oversight and review functions. The District will review its procedures and implement changes as deemed necessary.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget - Expenditures for the year ended June 30, 2012 did not exceed the certified budget amount in any of the program functions.
- II-B-12 Questionable Disbursements - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued):

II-C-12 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-12 Business Transactions - No business transactions between the District and District officials or employees were noted.

II-E-12 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-12 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Iowa Department of Education were noted.

II-H-12 Supplementary Weighting - The Department of Education noted an error regarding the supplementary weighing certified to them in October 2011.

Recommendation - The District should contact the Iowa Department of Education regarding corrective action required.

Response - As recommended, we will contact the Iowa Department of Education to determine the corrective action required.

Conclusion - Response accepted.

II-I-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-J-12 Certified Annual Report - The Certified Annual Report (CAR) was not properly certified to the Department of Education timely with an approved extension.

BOYDEN-HULL COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

(CONTINUED)

Part II: Other Findings Related to Statutory Reporting (Continued):

Recommendation - In the future, the District should ensure the Certified Annual Report is certified timely to the Iowa Department of Education.

Response - We have contacted the Iowa Department of Education to resolve the issue.

Conclusion - Response accepted.

II-K-12 Categorical Funding - No instances of categorical funding being used to supplant rather than supplement other funds in accordance with Chapter 256D.2 of the Code of Iowa and Iowa Department of Education administrative rules were noted.

IV-L-12 Statewide Sales, Services and Use Tax - No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	428,877
Revenues/transfers in:			
Sales tax revenues	\$	516,887	
Other local revenues		<u>3,956</u>	
			<u>520,843</u>
		\$	949,720
Expenditures/transfers out:			
Transfers to other funds:			
Debt service fund	\$	318,814	
Physical Plant and Equipment Levy		<u>150,000</u>	
			<u>468,814</u>
Ending balance		\$	<u>480,906</u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.